

## Message Text

CONFIDENTIAL

PAGE 01 OTTAWA 03893 281816Z

65

ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01

ERDA-05 FPC-01 PM-04 SAM-01 OES-06 ACDA-07 AGRE-00

/129 W

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P 281812Z SEP 76

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 1189

INFO USDEL MTN GENEVA PRIORITY

AMCONSUL CALGARY VIA POUCH

C O N F I D E N T I A L OTTAWA 3893

EB FOR ASSISTANT SECRETARY KATZ; FEA FOR ADMINISTRATOR ZARB

GENEVA FOR AMBASSADOR WALKER

E.O. 11652: GDS

TAGS: ETRD, ENRG, CA

SUBJ: ALBERTA PREMIER LOUCHEED ON GAS SUPPLY ASSURANCES,

PETROCHEMICAL TRADE, BEEF

REF: (A) OTTAWA 3366; (B) SECSTATE 230382; (C) MTN GENEVA 7367

1. SUMMARY. LOUGHEED AGREES TO GET BACK INTO CHANNELS WITH HIS REQUESTS FOR PETROCHEMICAL AND BEEF TARIFF CONCESSIONS. BUT FOR POLITICAL AND SUBSTANTIVE REASONS, HIS PROPOSAL OF GAS SUPPLY ASSURANCES AND FOLLOW-ON CONTRACTS AFTER 1989 MERITS ANALYSIS. END SUMMARY.

2. AT LUNCH IN EDMONTON SEPTEMBER 27 LOUGHEED REPEATED HIS  
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PAGE 02 OTTAWA 03893 281816Z

PROPOSAL FOR BILATERAL TALKS AIMED AT UNIFORMIZING AND REDUCING

PETROCHEMICAL AND BEEF TARIFFS. OTTAWA, HE SAID, ISN'T TAKING INTO ACCOUNT ALBERTA'S INTEREST IN INCREASING RAW MATERIAL PROCESSING IN THE PROVINCE, AND THEREFORE HE MUST DEAL DIRECTLY. IN ORDER TO GET INTO THE GAME, HE WILL PUT ONTO THE TABLE AN OFFER TO NEGOTIATE SUPPLY ASSURANCES AND FOLLOW-ON CONTRACTS FOR GAS TO THE U.S. AFTER PRESENT CONTRACTS EXPIRE IN 1989. NEW CONTRACTS WOULD PROVIDE FOR REDUCED VOLUME, BUT EASE TRANSITION OF U.S. USERS AS THEY SEEK ALTERNATIVE SOURCES.

3. DRAWING ON HELPFUL GUIDANCE IN REFTEL B, I TOLD LOUGHEED:

(A) WHILE WE WISH TO EXPAND CONTRACTS IN PROVINCES TO TAKE ACCOUNT OF NEW REALITIES IN CANADA, WE CANNOT VIOLATE PRINCIPLE OF HANDLING ALL FORMAL NEGOTIATIONS THROUGH OTTAWA;

(B) CONCEPT OF UNIFORMIZING U.S. AND CANADIAN TARIFFS IS NOT RPT NOT HELPFUL. MANY CANADIAN PETRO-CHEMICAL AND BEEF TARIFFS ARE HIGHER THAN U.S. (WHICH LOUGHEED DID NOT KNOW), AND ATTEMPT AT UNIFORMIZATION COULD ONLY MAKE AGREEMENT ON BROAD FORMULA CUT MORE DIFFICULT.

(C) SINCE REAL INTEREST OF ALBERTA IS IN MARKET ACCESS, LOUGHEED SHOULD CONVINCE OTTAWA TO SEEK MINIMUM EXCEPTIONS IN PETROCHEMICALS AND BEEF. I ADDED THAT IT IS TOO EARLY TO PREDICT HOW U.S. WOULD RESPOND TO SUCH A REQUEST.

(D) U.S. IS INTERESTED IN STABLE GAS SUPPLIES UP TO AND AFTER 1989. BUT ALBERTA SUPPLIES ARE GROWING, WITH MASSIVE DRILLING FOR SHALLOW FIELDS THIS YEAR. U.S. BARGAINING POWER IS INCREASING BECAUSE ALBERTA IS LIMITING COAL DEVELOPMENT, THUS OBLIGING ONTARIO TO TURN TO U.S. IN 1980'S U.S. EXPORTS OF COAL TO ONTARIO MAY EXCEED ALBERTA GAS EXPORTS TO U.S. ON BTU BASIS. MOREOVER OTTAWA, NOT EDMONTON, HAS FINAL SAY ON GAS EXPORTS.

4. AFTER SOME DISCUSSION, LOUGHEED AND I AGREED:

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PAGE 03     OTTAWA 03893 281816Z

(A) HE WOULD SEEK TO GET CANADIAN MTN NEGOTIATORS TO PUT FORWARD REQUEST FOR MAXIMUM U.S. FORMULA CUT ON PETROCHEMICALS AND BEEF, RECOGNIZING THAT U.S. IS UNDER NO OBLIGATION TO RESPOND, OR MIGHT ASK THE SAME;

(B) IF HE WANTS TO GO FOR MORE, LOUGHEED COULD ALWAYS PROPOSE THAT OTTAWA INCLUDE PETROCHEMICALS, GAS

AND OIL IN ITS SECTOR APPROACH AND ASK FOR BILATERALS  
WITH U.S. AGAIN I MADE NO COMMITMENT ON OUR RESPONSE.

(C) I WOULD ASK WASHINGTON WHETHER IT IS INTERESTED  
IN GAS SUPPLY ASSURANCES AND FOLLOW-ON GAS CONTRACTS.  
IF SO, THIS SUBJECT COULD BE DISCUSSED BILATERALLY,  
WITH OTTAWA LEADING A DELEGATION OF APPROPRIATE  
PROVINCIAL INTERESTS. IN THAT DISCUSSION, I SAW NO  
REASON WHY PETROCHEMICAL TARIFFS COULD NOT BE INCLUDED,  
PROVIDED IT WERE RECOGNIZED THAT THE ACTION POINT IS  
GENEVA AND THE MTNS.

5. COMMENT: ALTHOUGH IT IS IMPORTANT BOTH FOR OUR  
RELATIONS WITH CANADA AND FOR THE INTEGRITY OF THE  
MTN'S TO GET LOUGHEED BACK INTO CHANNELS, WE SHOULD NOT  
SQUELCH HIM.

6. AT A MINIMUM WE SHOULD AVOID A REBUFF WHICH COULD  
CONVINCE THIS POWERFUL PLAYER THAT THERE IS NO PERCENTAGE  
IN WORKING WITH US ON GAS SUPPLY. THIS CONCLUSION HOLDS  
TRUE EVEN THOUGH LOUGHEED DOESN'T HAVE THE FINAL SAY  
ON GAS EXPORTS. A LOUGHEED CONVINCED THAT HE HAS NO  
ALTERNATIVE BUT TO DIRECT GAS TO TORONTO CAN FO US A  
LOT OF DAMAGE.

7. AT A MAXIMUM, LOUGHEED'S OFFER OF TALKS ON GAS ASSURANCES  
CAN EASE AN (OTHERWISE DIFFICULT) ENERGY TRANSITION IN  
THE 1980'S AND 1990'S.

8. DIFFICULT QUESTION FOR US IS COAL. IF WE PURSUE  
SUPPLY ASSURANCE ISSUE, CANADIANS WILL WANT TO KNOW HOW  
WE WOULD REACT TO REQUEST FOR COAL SUPPLY ASSURANCES.

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PAGE 04      OTTAWA 03893 281816Z

9. WHAT IS NEEDED AT THIS STAGE IS WASHINGTON EXAMINATION  
OF IMPACT ON U.S. INTERESTS OF US-CANADIAN BILATERAL ENERGY  
AGREEMENT WHICH WOULD:

(A) SPECIFY THAT GAS AND COAL SHORTFALLS WOULD  
BE SHARED EQUITABLY BETWEEN CUSTOMERS IN THE TWO COUNTRIES,  
AND DEFINE EQUITY AND MECHANISM FOR REALIZING IT;

(B) PROVIDE FOR FOLLOW-ON GAS AND COAL CONTRACTS IN THE  
1980'S.

10. EMBASSY WILL PROVIDE SEPTEL INITIAL ELEMENTS FOR  
SUCH AN EXAMINATION.

ENDERS

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NNN

## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CUSTOMS DUTIES, DIPLOMATIC DISCUSSIONS, TARIFF CONCESSIONS, CHEMICALS, MEATS  
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**Draft Date:** 28 SEP 1976  
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**Disposition Approved on Date:**  
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**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**To:** STATE  
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